

Pressures

Are Against the Manufacturing Sector

Anytime the national economy slips into a recession, manufacturing job losses seem to be high on the job-loss list. No matter where the recession originates—from the technology sector in the early 2000s or currently from the housing and credit markets—the manufacturing sector seems to pay a price. When consumers feel anxiety about their economic situation, they

pull back on purchases. They buy fewer appliances, automobiles, siding for the house, or new shingles. Businesses pull back on building and expanding, buying new shelving, updating the furniture, or they live longer with that aging forklift. These are examples, and there are thousands more, of how the fabrication and assemblage of physical goods—manufactured products—get cut back in a weak economy.

We are heading into what looks to be a prolonged period of economic weakness. This does not bode well for the manufacturing sector.

It has been under long-term contraction pressures in this country since the 1970s. The sector actually produces more than it used to, but with many fewer workers. Automation has allowed the industry to flourish, but it has taken a major toll upon the downsizing of the manufacturing labor force. Manufacturing is no longer the major contributor to America's income pool as it was in a past era.

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In manufacturing processes where automation is not a cost-effective alternative, that segment has looked to cheaper overseas labor as its alternative. One of the factors that work against manufacturing in America is manufacturing's very nature. Much manufacturing activity does not have to be situated amongst its customer base like many other industries. If you were going to go out to eat for the evening you would not go to China (maybe to a Chinese restaurant, but not to China), whereas toys can be made anywhere and brought into this country.

If you look at the population age structure of the United States it is dominated by baby boomers. The most populated age segment in the labor force is 45- to 60-year olds. In the near future, they will retire and leave the labor force. If we were to replace them all right now with the youngest segments of our population, there would not be enough youngsters for a one-to-one replacement. America's labor force would roughly have a 20-million worker shortfall.

When the boomers leave the labor force, the economy will have four options in how to respond:

- ❶ allow the economy to shrink (an anathema concept within Capitalism);
- ❷ import workers from other countries;
- ❸ export work to other countries; or
- ❹ replace workers with machines (automation).

What will the future hold? Probably combinations of all four, as individual industries will all respond differently. Whereas the healthcare industry may have to expand to handle so many aging baby boomers (it will probably need option #2), the manufacturing industry will be more susceptible to options #3 and #4. The industry is already confronted by these options, and the pressures are only set to intensify. ⓘ

